



ETHICS IN ACCOUNTING: A CASE STUDY OF BSE 30 COMPANIES

Prof. (Mrs.) Prashanta Athma¹ | Mrs. N. Rajyalaxmi²

¹ Vice-Principal, University College for Women, Koti, Hyderabad, Telangana State.

² Asst. Professor (C), University College for Women, Koti, Hyderabad, Telangana State

ABSTRACT

Every business entity has to maintain Ethical Standards in order to survive successfully in the market and improve total organizational competencies and efficiencies. Ethics means the basic concepts and fundamental principles of right human conduct, which involves differentiating between good and bad, right and wrong, so that an accounting professional follows what is principally right for him to do. With effect from 1st April 2005, SEBI has made it mandatory for every listed company to lay down a code of conduct for all the Board Members.

Code of Conduct acts as a directive and guide to employees and other stakeholders in laying down the organization's expectation of them and is a reference to all other detailed policies of the organization. It is a part of Corporate Governance. It promotes the organization value and enhances its Ethical Environment.

The study is, therefore, undertaken with the following objectives to look into the Ethical Practices of BSE Companies.

- To identify the areas Covered under Code of Conduct
- To analyze the Code of Conduct Practices by BSE 30 Companies
- To identify the world wide top ethical Companies and make a Sectorial Analysis
- To Analyze the perceptions of the Accounting Professional towards Ethical Practices

The Study is based on both Primary and Secondary Data. Primary data will be collected by administering a Questionnaire and Secondary data will be collected from various Company Annual Reports and Journals. The data will be analyzed with the help of Disclosure Index and Percentages.

KEY WORDS: Code of Conduct, Disclosure Index.

Introduction

The word 'Ethics' is derived from the Greek word 'Ethos' (Character) and Latin word 'Moras' (Customs). Taken together these two words define how individuals choose to interact with one another. Thus, ethics is about choices. It signifies how people act in order to make 'right' choice and produce 'good behaviour'.

Every business entity has to maintaining Ethical Standards in order to survive successfully in the market and improve total organizational competencies and efficiencies. Ethics means the basic concepts and fundamental principles of right human conduct, which involves differentiating between good and bad, right and wrong, so that an accounting professional follows what is principally right for him to do.

Accounting profession involves various functions of accounting, such as, recording of all business events that are of financial character, classifying and summarizing them and presenting them in the form of Profit and Loss Statement, Balance Sheet and Cash Flow Statement. Therefore, the way these activities are performed is very important and it has a lot to do with maintaining Accounting Ethics of Accountants.

Comparable historical studies of an Ethical Movement in India or specifically of ethics statement / code of Indian companies are not available. In the aftermath of successive stock market crashes, the Securities and Exchange Board of India (SEBI) decided in 2001, to introduce a code of ethics for directors and other functionaries of Stock Exchanges. Consequently, amendment to Clause 49 of the Listing Agreement relating to Corporate Government made by the Stock Exchanges at the instance of SEBI through a circular dated 29th October 2004 (effective date 1st April 2005 extended upto 31st December 2005) has made it mandatory for listed companies to lay down a code of conduct for all board members.

Code of Conduct acts as a directive and guide to employees and other stakeholders in laying down the organization's expectation of them and is a reference to all other detailed policies of the organization. It promotes the organization value and enhances its Ethical Environment. It is a Statement of Organizational Values. Large Business often has written code of ethics and employees are twined in them and required to adhere to the code. In this Context, the Present Study is undertaken to analyze the Code of Conduct Practices of BSE 30 Companies.

Review of Literature

- Dr. Ajay Kumar Singh and Miss Pooja Dhingra (2014)¹ aimed to find out the multi-dimensional ethical approach to accounting and reporting practices going on in India and abroad. They mainly focused on the inclusion of non-financial matters in the Corporate Annual Reports. An Empirical Survey was carried out with the help of questionnaire. The results were tested using the t-test analysis. They suggests that more companies should report on their Environmental, Social and Corporate Governance performance and find a way to express them in their Annual Reports and the reporting of data regarding the carbon emission, energy use, pollution, impact on the local economy etc., should be made mandatory for companies.
- Nabil Anasser, Osama Samih Shaban and Ziad Al Zubi (2014)² aimed to examine the impact of accounting ethics in improving manager's behavior and decision making, and to examine the factors affecting accountants and managers' ethical behavior. A Questionnaire has been designed for this purpose, and it was distributed to a select accounting employees working in different business environment.
- Meenakshi Sharma (2014)³ examined the corporate code of ethics of Indian companies as displayed on their websites. The codes of 60 top Indian companies displayed on their websites were studied for location of ethics statements, and the readability of these was calculated using the Flesch reading ease and Flesch-Kincaid grade level scores. The implication from the findings is that companies have the opportunity to present their ethical position with greater care on readability so that the material is comprehensible to a largest set of the public.
- Bukola A. Akadakpo and Famous I.O. Izedonmi (2013)⁴ mainly focused on examination of ethical values reflected in professional practice of accountancy profession in Nigeria. Primary Data was collected by means of questionnaire and the secondary data was collected from professional journals. Their finding from the study was that in the development of professional practice, compliance with well grounded ethical values was a good prerequisite for an enduring practice and that penalties meted out to erring members are grossly inadequate.
- Carmen Bonaci, Jiri Strouhal (2012)⁵ focused on a particular case of professional ethics in the context of the accounting profession. Teaching ethics to accounting students should no longer try to convince them that they should

act in an ethical manner, but raise their awareness with regard to ethical issues in accounting practice.

- Steven M. Flory, Thomas J. Phillips Jr, R. Eric Reidenbach and Donald P. Robin (1992)⁶ focused on whether accountants conform to prescribed codes of professional ethics. They selected a different approach by testing a multivariate measure of how accountants make ethical judgments. Data was gathered with the assistance of ICMA and IMA by admitting a questionnaire.
- L. C. Choo (1992)⁷ in his study aimed to provide some empirical evidence of the ethical issues and conflicts faced by practitioners and to gauge their perceptions on the relevance and usefulness of the Malaysian Institute of Accountants (MIA) Code of Ethics as a guide to ethical behavior. The results showed that a majority of respondents agreed that the Code helped them to be more aware of ethical concerns in their work and decisions, and that it also enhanced public confidence and professional image besides improving intra professional relationships

Research Gap

The above Review of Literature reveals that various studies have been made on Ethics in Accounting focusing on various issues like Multi-Dimensional Ethical Approach to accounting and reporting practices going on in India and abroad, the impact of accounting ethics in improving manager's behavior and decision making, and the factors affecting accountants and managers' ethical behavior, focused on whether accountants conform to prescribed codes of professional ethics etc., However, an analysis of BSE 30 Companies Code of Conduct Practices and the position of Indian Companies in the top ethical companies has not been done. Hence, the study is undertaken to fill this research gap.

Objectives

The Objectives of this paper are to

- To identify the areas covered under Code of Conduct
- To analyze the Code of Conduct Practices by BSE 30 Companies
- To identify the world wide top ethical Companies and make a Sectorial Analysis
- To Analyze the perceptions of the Accounting Professional towards Ethical Practices

Research Methodology

- Period of the Study:** A period of 11 years i.e., from 2005-06 to 2015-16 is taken for BSE 30 Companies for developing item-wise disclosure score, as SEBI announced revised clause 49 of Code of Conduct in 2005.
- Scope of the Study:** The study covers the areas covered under Code of Conduct. An analysis of Code of Conduct Practices by BSE 30 Companies has been done and identified the world wide top ethical Companies and made a Sectorial Analysis.
- Sources of Data:** The Study is based on Primary and Secondary Data. The Secondary Sources include Annual Reports, Code of Conduct Reports, Journals and Websites. Primary data are collected by administering a Questionnaire.
- Sample:** All the 30 Companies listed on BSE are taken for the purpose of analysis of the study. Questionnaire was administered to a sample of 50 Professional Accountants, but received response from only 24.
- Index of Disclosure:** It is developed by assigning a score of either '0' or '1'. If an item is disclosed in the reports of the company, it is assigned a score of '1'. In case an item is not disclosed, score '0' is given. The scores are unweighted, as it permits an analysis independent of the perceptions of a particular user group. Unweighted scoring adopted results in objectivity and fairness in the scoring system, as different user groups give different weightage to the disclosure of an item depending upon their perception.

- Analysis of the Data:** For the purpose of analyzing the disclosure practices of Companies, an 'Index of Disclosure', has been constructed taking into consideration four (8) main categories viz., Internal Relations; External Relations; Protecting Company Assets; Healthy, Safety & Environment; Conflicts of Interest; Compliances; Maintaining of Account Books; and Insider Trading.

- Tools for the Study:** Mean Disclosure, Standard Deviation and Coefficient of Variation are employed to analyze the various aspects of Code of Conduct. Analysis of responses from the Professional Accountants is made with the help of percentages.

Corporate Code of Conduct: Vital Aspects

Every Company has to prepare Code of Conduct given by SEBI along with the Financial Statements at the end of the financial year. The Aspects Covered under Code of Conduct is presented in Table 1.

Table 1
Corporate Code of Conduct: Vital Aspects

S. No.	Code Covered Area	
1	Internal Relations	This section sets out the relationship between the Company and its employee, Expectations of Employees and Companies obligations.
2	External Relations	A Relation with clients, investors, business partners, competitors.
3	Protecting Company Assets	Company's assets have been employed only for the purpose of conducting the business for which they are authorized. Care should be taken to ensure that assets are not misappropriated, loaned to others or sold or donated without appropriate authorization.
4	Healthy, Safety and Environment	The safety of people at the workplace is a primary concern of the Company.
5	Conflicts of Interest	The Directors, Officers and Employees should avoid conflicts of interest with the company.
6	Compliances	Means conforming to a rule, such as a specification, policy, standard or law. Regulatory Compliance describes the goal that organizations aspire to achieve in their efforts to ensure that they are aware of and take steps to comply with relevant laws and regulations.
7	Maintaining of Account Books	The Company shall prepare and maintain its accounts fairly and accurately in accordance with the accounting and financial reporting standards.
8	Insider Trading	Under the Code of Conduct, Companies shall not indulge themselves in Insider Trading and shall comply with the Insider Trading Code and Insider Trading Regulations as laid down by SEBI and the Company.

Source: Compiled by Authors

All the BSE 30 Companies viz., Adani Ports, Asian Paints, Axis Bank, Bajaj Auto Ltd., Bharti Airtel Ltd., BHEL, Cipla Ltd., Coal India Ltd, Dr.Reddy's Laboratories, GAIL, HDFC, HDFC Bank, Hero Motocorp, Hindustan Unilever Limited, ICICI Bank, Infosys, ITC, Larsen, Lupin Ltd., M & M, Maruti Suzuki, NTPC Ltd., ONGC Ltd., Reliance Industries Ltd., State Bank of India, Sun Pharmaceutical Industries Ltd., Tata Motors Ltd., Tata Steel Ltd., Tata Consultancy Services Ltd., Wipro Ltd. are adopting Corporate Code of Conduct.

BSE Companies: Code of Conduct

Table-2 presents Eight Aspects disclosed in Code of Conduct by BSE Sensex 30 Companies.

Table 2
BSE Companies: Code of Conduct

(as on 31st March 2016)

Co. Name	Internal Relations	External Relations	Protecting Co. Assets	Healthy, Safety & Environment	Conflicts Of Interest	Compliances	Maintaining of Account Books	Insider Trading
Adani Ports	✓	✓	✓	✓	✓	✓	✓	✓
Asian Paints	✓	✓	----	✓	-----	✓	✓	✓
Axis Bank	✓	✓	----	✓	✓	✓	✓	✓
Bajaj Auto Ltd.	✓	✓	----	✓	-----	✓	✓	✓
Bharti Airtel Ltd.	✓	✓	✓	✓	-----	✓	✓	✓
BHEL	✓	-----	-----	✓	-----	✓	✓	✓

Cipla Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Coal India Ltd	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr. Reddy's Laboratories	✓	✓	✓	✓	✓	✓	✓	✓	✓
GAIL	✓	✓	✓	✓	✓	✓	✓	✓	✓
HDFC	✓	✓	-----	✓	✓	✓	✓	✓	✓
HDFC Bank	✓	✓	-----	✓	✓	✓	✓	✓	✓
Hero Motocorp	✓	✓	✓	✓	✓	✓	✓	✓	✓
HUL	✓	✓	✓	✓	✓	✓	✓	✓	✓
ICICI Bank	✓	✓	✓	✓	✓	✓	✓	✓	✓
Infosys	✓	✓	✓	✓	✓	✓	✓	✓	✓
ITC	✓	✓	✓	✓	✓	✓	✓	✓	✓
Larsen	✓	✓	-----	✓	-----	✓	✓	✓	✓
Lupin Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓
M & M	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maruti Suzuki	✓	✓	-----	✓	✓	✓	✓	✓	✓
NTPC Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓
ONGC Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓
RIL	✓	✓	✓	✓	✓	✓	✓	✓	✓
SBI	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sun Pharmaceutical Industries Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tata Motors Ltd	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tata Steel Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓
TCS Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓
Wipro Ltd.	✓	✓	✓	✓	✓	✓	✓	✓	✓

Source: Code of Conduct of BSE Companies

Code of Conduct consists of disclosure of Eight Aspects as given by SEBI. A majority of the Companies (21) are disclosing all the Eight Aspects except Asian Paints (Protecting of Company Assets and Conflicts of Interest), Axis Bank (Protecting Company Assets), Bajaj Auto Limited (Protecting of Company Assets and Conflicts of Interest), Bharati Airtel (Conflicts of Interest), BHEL (External Relations, Protecting of Company Assets and Conflicts of Interest), HDFC (Protecting of Company Assets), HDFC Bank (Protecting of Company Assets), Larsen (Protecting of Company Assets and Conflict of Interest) and Maruti Suzuki (Protecting of Company Assets). It is External Relations; Protecting Company Assets; and Conflicts of Interest which are not covered by a few Companies.

BSE 30 Companies: Item-wise Disclosure

Item-wise analysis shows the disclosure of the items by the BSE 30 Companies which enables us to know as to which item is very well disclosed. The analysis is done with the help of mean disclosure, standard deviation and coefficient of variation.

If the Mean Disclosure is the highest for a particular item, it means that, when compared to the other items, disclosure of that particular item is more. If mean disclosure is more than 50 per cent, disclosure is better with regard to that particular item and vice-versa.

Standard Deviation shows the variability of the disclosure from the Mean Disclosure. Lower the Standard Deviation, lower is the variation of disclosure from its mean disclosure. It means there is consistency in the disclosure practices of that item by the Companies.

In all, eight categories of items are taken for analysis of item-wise disclosure by the companies. For each item included in the 'Index of Disclosure', the percent of disclosure of that item by the companies is obtained by dividing the number of companies disclosing that particular item by the total number of companies.

Item-wise disclosure along with mean disclosure, standard deviation and coefficient of variation are presented in Table-3.

Table 3
BSE 30 Companies: Item-wise Disclosure

Item/Year													(31 st March)		
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Mean	S.D	C.V
1	15/30 (50)	27/30 (90)	27/30 (90)	27/30 (90)	27/30 (90)	28/30 (93.33)	29/30 (96.6)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	91.66	13.88	0.15
2	14/30 (46.6)	26/30 (86.6)	26/30 (86.6)	26/30 (86.6)	26/30 (86.6)	27/30 (90)	28/30 (93.33)	29/30 (96.6)	29/30 (96.6)	29/30 (96.6)	29/30 (96.6)	29/30 (96.6)	87.52	14.30	0.16
3	7/30 (23.33)	19/30 (63.33)	19/30 (63.33)	19/30 (63.33)	19/30 (63.33)	20/30 (66.66)	21/30 (70)	22/30 (73.3)	22/30 (73.3)	22/30 (73.3)	22/30 (73.3)	22/30 (73.3)	64.98	13.88	0.21
4	15/30 (50)	27/30 (90)	27/30 (90)	27/30 (90)	27/30 (90)	28/30 (93.33)	29/30 (96.6)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	91.66	13.88	0.15
5	13/30 (43.33)	22/30 (73.3)	22/30 (73.3)	22/30 (73.3)	22/30 (73.3)	23/30 (76.6)	24/30 (83.3)	25/30 (83.33)	25/30 (83.33)	25/30 (83.33)	25/30 (83.33)	25/30 (83.33)	76.09	11.35	0.14
6	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	100	0	0
7	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	100	0	0
8	15/30 (50)	27/30 (90)	27/30 (90)	27/30 (90)	27/30 (90)	28/30 (93.33)	29/30 (96.6)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	30/30 (100)	91.66	13.88	0.15

Source: Code of Conduct of various Companies

Note:

- The numerator indicates the number of Companies disclosing a particular item
- The denominator represents the total number of Companies
- The figures in the parenthesis are the percentage of Companies reporting out of the total number of Companies

Clause 49 mainly stressed upon improvement of Corporate Governance. Some Companies are following Code of Conduct given in Clause 49 Form A, some companies had separate code of conduct and companies can put voluntary infor-

mation in their code of conduct.

From the table, it is clear that there is 100% disclosure for all the years of the study with regard to two item (2) i.e., Compliance and Maintaining of Account Books. Regarding the other Three (3) items viz., Internal Relations; Healthy, Safety and Environment; and Insider Trading, there is 91.66% Disclosure. There is a gradual increase in the disclosure of other items.

Most Ethical Companies in the World (2016)

Table 4 Presents, the Most Ethical Companies in the World given by Forbes Magazine.

Table 4
Most Ethical Companies in the World (2016)

S. No.	Company Name	Industry	Country	S. No.	Company Name	Industry	Country
1	National Australia Bank	Bank	Australia	2	DCC plc	Oil & Gas Renewable	Ireland
3	Teachers Mutual Bank	Bank	Australia	4	Illycaffè spa	Food, Beverages	Italy
5	The Rezidor Hotel Group	Hospitality	Belgium	6	Kao Corporation	Health & Beauty	Japan
7	Natura Cosmeticos	Health & Beauty	Brazil	8	Ricoh Company Ltd	IT Services	Japan
9	Convenant Health	Health Care	Canada	10	Shiseido Co., Ltd	Health & Beauty	Japan
11	Empresa de Desarrollo urbano	Government Services	Colombia	12	PKN ORLEN S.A.	Oil & Gas Renewable	Poland
13	Capgemini	Consulting Services	France	14	Energias de Portugal SA	Electric Utility	Portugal
15	Loreal	Health & Beauty	France	16	Singtel	Tele communication	Singapore
17	Schneider Electric SE	Diversified Machinery	France	18	Iberdrola S.A	Electric Utility	Spain
19	Hankel AG & Co.	Consumer Products	Germany	20	H & M	Apparel	Sweden
21	Cementos Progreso, SA	Construction and Building Material	Gautemala	22	ABB	Diversified Machinery	Switzerland
23	William E. Connor & Associates Ltd	Sourcing Services	Hongkong	24	TE Connectivity	Semi conductors	Switzerland
25	Tata Steel Limited	Metals, Minerals & Mining	India	26	Marks and Spencer Plc	Retail	UK
27	The Tata Power Company Limited	Electric Utility	India	28	National Grid	Diversified Utilities	UK
29	Wipro Limited	Information Technology Services	India	30	Delphi Automotive PLC	Automotive	UK
31	Accenture	Consulting Services	Ireland	32	Northumbria Water Group	Water and Sewerage Utility	UK
33	3M Company	Industrial Manufacturing	USA				
34	Aflac Incorporated	Life & Accident Insurance	USA	35	Cummins Inc.	Automotive	USA
36	Allstate Insurance Company	Property & Casualty Insurance	USA	37	CUNA Mutual Group	Financial Services	USA
38	Alyeska Pipeline Service Company	Oil & Gas Renewable	USA	39	Deere & Company	Industrial manufacturing	USA
40	Applied Materials, Inc.	Electronic Components	USA	41	Dell Inc.	Technology	USA
42	Arthur J. Gallagher & Co.	Insurance Brokers	USA	43	Dun & Bradstreet	Business Services	USA
44	Avanade Inc.	Consulting Services	USA	45	Eastman Chemical Company	Chemicals	USA
46	Avnet Inc	Electronic Components	USA	47	Ecolab Inc	Chemicals	USA
48	Baptist Health South Florida	Health care	USA	49	Flour Corporation	Engineering & Design	USA
50	BDP International Inc	Logistics & Transportation	USA	51	Ford Motor Company	Automotive	USA
52	Blue Cross Blueshield of North Carolina	Health Insurance	USA	53	GE	Conglomerate	USA
54	CA Technologies	Software & Services	USA	55	Granite Construction Incorporated	Construction	USA
56	CareFirst Blue Cross Blueshield	Health Insurance	USA	57	Hasbro Inc	Consumer Products	USA
58	CBRE Group Inc	Real Estate	USA	59	Health Care Service Corporation	Health Insurance	USA
60	CH2M	Engineering & Design Services	USA	61	Henry Schein Inc	Healthcare Providers	USA
62	Cisco	Technology	USA	63	Holland America Line	Leisure & Recreation	USA
64	Cleveland Clinic	Healthcare Provider	USA	65	Hospital Corporation of America (HCA)	Health Providers	USA
66	Colgate Palmolive Company	Consumer Products	USA	67	Hypertherm Inc.	Machine Tools	USA
68	Concurrent Technologies Corporation	Scientific & Technical Services	USA	69	Ingredion Incorporation	Food, Beverage & Agriculture	USA
70	Intel Corporation	Electronic Components	USA	71	International Paper Company	Forestry, Paper & Packaging	USA

72	Johnson Controls Inc.	Industrial Manufacturing	USA	73	Jones Lang Lasalle Incorporation	Real Estate	USA
74	Kellogg Company	Food, Beverage & Agriculture	USA	75	Kennametal Inc.	Machine Tools & Accessories	USA
76	Knights of Columbus	Life Insurance	USA	77	Levi Strauss & Co.	Apparel	USA
78	LinkedIn Corporation	Technology	USA	79	Manpower Group	Staffing & outsourcing Services	USA
80	Marriott International Inc.	Lodging & Hospitality	USA	81	Massachusetts Mutual Life Insurance Company	Life Insurance	USA
82	MasterCard	Payment Services	USA	83	Microsoft	Technology	USA
84	Milliken & Company	Industrial Manufacturing	USA	85	MSA	Security & Protection Services	USA
86	Next Era Energy	Electric Utility	USA	87	NiSource Inc	Gas Utility	USA
88	Northern Trust	Financial Services	USA	89	Northwell Health	Healthcare Providers	USA
90	Old National Bancorp	Banks	USA	91	ON Semiconductor	Electronic Components	USA
92	Oshkosh Corporation	Trucks & Other Vehicles	USA	93	Parsons Corporation	Engineering	USA
94	Paychex	Staffing & Outsourcing	USA	95	Pepsi Co.,	Food, Beverage	USA
96	Petco	Retail	USA	97	Premier	Health Information services	USA
98	Principal Financial Group	Financial Services	USA	99	Prudential Financial	Financial Services	USA
100	Quintiles	Diagnostics & Research Services	USA	101	Realogy Holding Corporations	Real Estate	USA
102	Rockwell Automation	Diversified Machinery	USA	103	Rockwell Collins	Aerospace & Defense	USA
104	Royal Caribbean Cruises Ltd.	Leisure & Recreation	USA	105	Schnitzer Steel Industries	Metal, Minerals & Mining	USA
106	Sharp Health Care	Health Care Providers	USA	107	Starbucks	Specialty Eateries	USA
108	Symantec Corporation	Software & Services	USA	109	T-Mobile US	Tele Communication	USA
110	Target Corporation	Retail	USA	111	Teradata Corporation	Software & Services	USA
112	Texas Instruments	Electronic Components	USA	113	The AES Corporation	Diversified Utilities	USA
114	The Hartford	Property & Casual Insurance	USA	115	The Nature Conservancy	Philanthropy	USA
116	The Timken Company	Industrial Manufacturing	USA	117	Thrivent Financial	Financial Services	USA
118	TIAA	Financial Services	USA	119	TSYS	Payment Services	USA
120	U.S.Bank	Banks	USA	121	University Hospitals	Healthcare Providers	USA
122	UPS	Logistics & Transportation	USA	123	USAA	Insurance	USA
124	VISA	Payment Services	USA	125	Vizient	Business Services	USA
126	Voya Financial	Financial Services	USA	127	Waste Management	Environmental Services	USA
128	Weyerhaeuser Company	Forestry, Paper & Packaging	USA	129	Wisconsin Physicians Services Insurance Corporation	Accident & Health Insurance	USA
130	Wyndham Worldwide	Lodging & Hospitality	USA	131	Xerox Corporation	Information Technology Services	USA

Source: www.ethisphere.com, www.forbes.com

Corporate Ethics Quotient (EQ), a Proprietary Rating System, has been employed by the Organization 'Ethisphere' for the selection of Ethisphere's World's Most Ethical Companies. The frame work of the EQ is comprised of a series of multiple- choice questions that capture a company's performance in an objective, consistent and standardized way. The information collected is not intended to cover all aspects of corporate governance, risk, sustainability, social responsibility, compliance or ethics, but rather is a comprehensive sampling of definitive criteria of core competencies. The EQ framework and methodology was determined according to the World's Most Ethical Companies Methodology Advisory Panel.

The above table shows that 131 Companies across 21 Countries and 5 Continents (Asia, Australia, Europe, South America and North America) represent over 45 Industries excelling in three areas viz., Promoting Ethical Business Standards and Practices internally; enabling Managers and Employees to make good choices; and shaping future industry standards by introducing tomorrow's best practices today.

It is also observed that from Australia-2, Belgium-1, Brazil-1, Canada-1, Colombia-1, France-3, Germany-1, Guatemala-1, Hongkong-1, India-3, Ireland-2, Italy-1, Japan-3, Poland-1, Portugal-1, Singapore-1, Spain-1, Sweden-1, Switzerland-2, UK-4, USA-99 Companies were considered as most Ethical Companies. It is USA, UK, India, Japan and France which topped the Countries in most Ethical Practice Companies as the number of companies following ethical practices is more in these Countries.

Most Ethical Companies in the World: Industry-wise Analysis

An Industry-wise analysis of the most ethical companies in the world is presented in Table 5. The findings of the analysis are as follows.

- India ranked in the third position sharing along with Japan and France in the top ethical companies in the world.
- Industries wise analysis shows that, Health and Beauty & Health Care Products (20); Life and Accident and Health Insurance (17) and IT Services (6) are in the top as the number of Ethical Companies in these Industries is more compared to the other Industries.
- Among the IT Services Indian Company Wipro Limited listed in BSE 30 featured.
- Electric Utility ranked 6th in position with four companies of which Tata Power (Indian Company) listed in NSE 50 featured.
- Tata Steel an Indian Company listed in BSE 30 has also appeared in the top ethical companies under the categories of Metal, Minerals and Mining.
- Of 131 top ethical Companies in the world, only three Indian Companies (Two BSE Listed and One NSE Listed) found place in the list indicating that other companies should strive for being more ethical.

Table 5
Most Ethical Companies in the World: Industry-wise Analysis

Industries	No. of Co.	Countries	Indian Co.
Bank	3	Australia(2) USA(1)	
Oil & Gas Renewable	3	Ireland,(1) Poland(1) USA(1)	
Food Beverages	4	Italy (1) USA(3)	
Hospitality & Lodging and Hospitality	5	Belgium(1) USA(4)	
Health & Beauty and Healthcare Providers	20	Japan (2), Brazil (1), Canada(1), France(1) USA(15)	
IT Services	6	Japan (1), India (1) USA (4)	Wipro Limited (BSE 30)
Government Services	1	Colombia	
Consulting Services	3	France (1), Ireland (1) USA (1)	
Electric Utility	4	Portugal (1), Spain (1), India (1) USA (1)	TATA Power (NSE 50)
Consumer Products	2	Germany (1) USA (1)	
Apparel	2	Sweden (1) USA (1)	
Construction & Building Material	2	Guatemala (1) and USA (1)	
Diversified Machines & Utility	4	Switzerland (1), UK (1) USA (1)	
Servicing	1	Hongkong (1)	
Semi-Conductor	1	Switzerland (1)	
Metals, Minerals and Mining	2	India (1) USA (1)	TATA Steel (BSE 30)
Retail	3	UK (1) USA (2)	
Automotive	3	UK (1) USA (2)	
Water & Service Utility	1	UK	
Industrial Manufacturing	5	USA	
Life & Accident & Health Insurance	17	USA	
Electronic Components	4	USA	
Business & Financial Services	7	USA	
Chemicals	2	USA	
Engineering & Design Services	3	USA	
Conglomerate	1	USA	
Software & Services	3	USA	
Real Estate	3	USA	
Consumer Products	2	USA	
Leisure & Recreation	2	USA	
Scientific & Technical Services	1	USA	
Machine Tools	1	USA	
Food Beverage & Agriculture	3	USA	
Forestry, Paper and Packaging	2	USA	
Staffing & Outsourcing Services	2	USA	

Payment Services	2	USA	
Security & Protection Services	1	USA	
Gas Utility	1	USA	
Lodging & Hospitality	2	USA	
Diagnostic and Research	1	USA	
Environmental Services	1	USA	
Telecommunication	1	USA	
Aerospace & Defense	1	USA	
Specialty Eateries	1	USA	
Philanthropy	1	USA	
45	131		

Source: Compiled from Table - 4

Perceptions of the Accounting Professional towards Ethical Practices

Tables 6 to Table 11 reflect the perceptions of the Accounting Professional towards Ethical Practices. The total number of Respondents may not be equal to 24 as an Accounting Professional may work for more than one type of firm.

Table 6
Accounting Professional: Type of Firm

Type of Firm	No.	%
Audit Practice	18	36
Consulting Practice	15	30
Tax Practice	16	32
Trading and Manufacturing Concerns	01	02
Total	50	100

Source: Field Work 2016

The sample respondents are from Audit Practice (36%), Consulting Practice (30%), Tax Practice (32%) and Trading and Manufacturing Concerns (2%).

Table 7
Ethical Standards: Reasons for Breaching

Opinion	No.	%
Lack of Awareness of Ethical Standards	03	11.53
Ethical Standards are not enforced	07	26.92
Inadequate Sanctions	-----	-----
Lack of adequate monitoring of the conduct of accounts in practice	14	53.84
Cannot Say	02	7.69
Any other reason	----	-----
Total	26	100.00

Source: Field Work 2016

The reasons for breach of Ethical Standards are mainly due to lack of adequate monitoring of the conduct of accounts in practice (53.84%) followed by Non-Enforcement of Ethical Standards (26.92%).

Table 8
Unethical Practices: Action taken by the Accounting Professionals

Opinion	No.	%
Make a Report to My Chief Executive Or Superior Officer or Head of the Department	22	84.62
Make a Report of an appropriate Authority	04	15.38
Remain indifferent to the practice	--	---
Resign my Appointment	--	----
Don't know/Can't Say	--	----
Total	26	100.00

Source: Field Work 2016

It is found from the above table that the accounting professionals either make a report to their Chief Executive or Superior Officer or Head of the Department or make a report to an appropriate authority when unethical practices are going on in an Organization.

From the Table 9, it is found that lack of clearly defined Company Policies that ensure the adherence to ethical standards is the major inhibition to adherence fol-

lowed by insufficient monitoring of the Conduct of Accountants in Practice, unpleasant consequences such as loss of revenue and loss of job and lack of awareness about Ethical Standards.

Table 9
Adherence to Ethical Standards: Inhibiting Factors

Opinion	No.	%
Attempt to avoid unpleasant consequences such as loss of revenue, loss of job	04	16.67
Cultural background of Accountants	---	----
Personal Interest and beliefs of Accountants	03	12.50
Lack of awareness about Ethical Standards	04	16.67
Inadequate Sanctions	----	----
Lack of clearly defined Company policies that ensure the adherence to ethical standards	08	33.33
Insufficient monitoring of the Conduct of Accountants in Practice	05	20.83
Can't say/don't know	---	----
Total	24	100.00

Source: Field Work 2016

Table 10
Ethical Offences: attracting Disciplinary Actions

Opinion	No.	%
Intruding into the privacy of people in order to secure information	16	13.22
Wrong reporting of Financial Information	20	16.52
Collecting or giving out gifts to influence the reporting of an incorrect financial information	18	14.87
Advertising your practice to induce patronage	16	13.22
Accepting appointment without professional clearance	16	13.22
Disclosure of information about a client to competitors	16	13.22
Embezzlement or Fraud	18	14.87
Don't Know/Can't Say	01	0.82
Total	121	100.00

Source: Field Work 2016

Wrong reporting of Financial Information, Collection or giving out gifts to influence the reporting of an incorrect financial information and Embezzlement or Fraud are the major Ethical Offences that normally attracts sanction of disciplinary actions.

Table 11
Ethical Offences: Disciplinary Measures

Opinion	No	%
Withdrawal of License or Certificates	17	33.33
Suspension from Professional Practice for a period of time/suspension of Membership	13	25.49
Payment of Fines	06	11.76
Letter of Warning or reprimand	07	13.72
Prohibition or Suspension from Professional activities	08	15.70
Don't Know/Can't Say	----	---
Total	51	100.00

Source: Field Work 2016

Disciplinary Measures that go with the Ethical Offences are withdrawal of License or Certificates followed by Suspension from Professional Practice for a period of time/suspension of Membership; Prohibition or Suspension from Professional Activities; Warning Letters and Payment of Fines.

Findings

- All BSE 30 Companies are adopting Code of Conduct
- A Majority of Companies are disclosing all the Eight Aspects except Asian Paints (Protecting of Company Assets, Conflict of Interest, Compliance) Axis Bank (Protecting Company Assets), Bajaj Auto Limited (Protecting of Company Assets, Conflict of Interest), BHEL (External Relations, Protecting of Company Assets and Conflict of Interest), HDFC (Protecting of Company Assets), HDFC Bank (Protecting of Company Assets), Larsen (Protecting of Company Assets, Conflict of Interest) and Maruti Suzuki (Protecting

of Company Assets).

- There is 100% disclosure for all the years of the study with regard to two items (2) i.e., Compliance and Marinating of Account Books.
- 91.66% Disclosure is found in case of the other Three (3) items viz., Internal Relations; Healthy, Safety and Environment; and Insider Trading.
- There is a gradual increase in the other aspects of code of conduct
- USA, UK, India, Japan and France are the top most countries with the most Ethical Companies in the world.
- Three Indian Companies Tata Steel, Tata Power and Wipro Limited are placed in the world most ethical companies list.
- The reasons for breach of Ethical Standards are mainly due to inadequate monitoring of the conduct of accounts in practice and non-enforcement of Ethical Standards.
- Disciplinary Measures for the Ethical Offences are withdrawal of License or Certificates, Suspension from Professional Practice/suspension of Membership; Prohibition or Suspension from Professional Activities; Warning Letters and Fines.

Suggestions

- Whistleblower Policy should be made mandatory for all the Companies.
- An awareness relating to ethical issues in accounting practices should be created amongst the accounting students and enhance their analytical abilities and develop a sense of moral obligation.

Conclusions

Every Company has to prepare Code of Conduct given by SEBI along with the Financial Statements at the end of the financial year. Some Companies are following Code of Conduct given in Clause 49 Form A, and some companies have separate code of conduct and companies can as well include voluntary information in their code of conduct. Of 131 top ethical Companies in the world, only three Indian Companies (Two BSE Listed and One NSE Listed) found place in the list indicating that other companies should strive for being more ethical. Adequate monitoring and proper enforcement of Ethical Standards will result in adherence to Ethical Standards.

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